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ABSTRACT

The self study and evaluation guide, one of 16 documents for accreditation of agencies serving the blind and visually handicapped, focuses on accounting for services and finances. Standards address five areas: planning for accounting for services and finances, service accounting systems, financial accounting systems, evaluation, and public accountability and disclosure. (CL)

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SELF-STUDY AND EVALUATION GUIDE

Accounting for Services and Finances

NATIONAL ACCREDITATION COUNCIL
For Agencies Serving the Blind and Visually Handicapped
79 Madison Ave.
New York, N.Y. 10016

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INSTRUCTIONS

Two steps should precede the use of this Section:

1. *Section A, Manual of Procedures*, should be read for an understanding of the overall framework and governing principles of the self-study and accreditation process.

2. *Section B, Agency and Community Profile*, should be reviewed, since it embraces the statement of the agency's philosophy of service and program objectives, an indispensable base for evaluation of its work.

All key personnel including members of the agency self-study committee should use this section of the *Self-Study and Evaluation Guide* in studying this aspect of its program.

In the parentheses ( ) preceding the standard, insert a symbol according to the following system to indicate the extent to which agency practice meets the standard:

E - Excellent. The agency meets the standard to the fullest extent and functions excellently in regard to it.

S - Satisfactory. The agency meets the standard to the fullest extent and functions well in regard to it; or it meets the standard to a satisfactory extent (i.e., not full coverage) and functions excellently in regard to it.

A Adequate. The agency meets the standard to a satisfactory extent and functions acceptably in regard to it.

P - Partial. The agency meets the standard to a satisfactory extent but functions poorly in regard to it; or it meets the standard to a partial extent but functions acceptably in regard to it.

M - Minimal. The agency meets the standard only to a partial extent and functions poorly in regard to it; or it makes no provision in meeting the standard.

NA - The standard does not apply to the agency. Explain under "comments."

Comments. Just as not all of the standards necessarily apply to all agencies, not all activities of a particular agency are necessarily covered by certain standards. The space provided under *Comments* should be used to note any important feature or characteristic of the agency's activities relating to the subject but not explained by the standard or rating. Such notations may be supplemented, if necessary, by supporting data attached to the end of the Section, and by cross-references to other sections of this *Self-Study and Evaluation Guide*. Other comments to explain the agency's rating may also be included here.

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SELF-STUDY AND EVALUATION GUIDE

SECTION C-2, ACCOUNTING FOR SERVICES AND FINANCES

1976 Edition

This section of the *SELF-STUDY AND EVALUATION GUIDE* is designed for use in conjunction with the other sections listed below.* Any agency undertaking a self-study will need the first seven sections listed below plus all *D* sections pertaining to the agency's services, and an *E* form for each administrative, professional and technical staff member.

The guides may be ordered in separate sections according to each agency's needs from the National Accreditation Council for Agencies Serving the Blind and Visually Handicapped, 79 Madison Avenue, New York, New York 10016.

SELF-STUDY AND EVALUATION GUIDE

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A	Manual of Procedures
B	Agency and Community Profile
C-1	Agency Function and Structure
C-2	Accounting for Services and Finances
C-3	Personnel Administration and Volunteer Services
C-4	Physical Facilities
C-5	Public Relations and Fund Raising
D-1	Library Services
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D-5	Social Services
D-6	Vocational Services
D-7	Production of Reading Materials
E	Individual Staff Member Information Form
F	Evaluation Summary and Report

*A special guide is available for residential schools (*SELF-STUDY AND EVALUATION GUIDE FOR RESIDENTIAL SCHOOLS*).

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ACKNOWLEDGMENTS

The initiative and conscientious efforts of many dedicated men and women have combined to bring about the revised and updated standards for Accounting for Services and Finances.

In order to get a consensus utilizing the broadest possible input, suggestions were solicited from every available source. These included accredited and other agencies and schools; original members of COMSTAC; users of services; interested individuals and groups; and readers of The Standard-Bearer. Providing leadership was the technical committee, which was appointed by the Commission on Standards to carry out the project.

By the summer of 1975, the committee had reviewed practices and trends, studied over 250 suggestions that had been received, and prepared a preliminary draft of revised standards. Comments and reactions were then invited once more and about 150 copies of the draft were distributed to interested parties. Results of this national review were considered by the committee, and its final report submitted to the Commission on Standards.

The Commission approved the revised standards for publication in March, 1976.

It would be impossible in this limited space to list all those who took part in the revision of the standards. However, special tribute is due the members of the technical committee who brought enthusiasm, fresh viewpoints, and broad experience to their task. Under the joint leadership of Owen R. Davison, Consultant to Funds and Councils, Community Services of Pennsylvania, and Helen W. Worden, Executive Director, Rhode Island Association for the Blind, they pulled all the elements together in a new study guide which will be very useful in the accreditation process.

C-2

ACCOUNTING FOR SERVICES AND FINANCES

GUIDING PRINCIPLES

The Standards for Acccunting for Services and Finances were developed originally by the ad hoc Commission on Standards and Accreditation of Services for the Blind (COMSTAC) in 1966. This was a pioneering effort to improve services for blind persons by utilizing national standards, based on "best practice," through the process of accreditation. The first edition of the *Self-Study and Evaluation Guide* for use in applying the standards was published in 1968.

Being based on a consensus of what is considered "best practice" in the field, NAC standards are practical rather than theoretical. They are intended to assist agencies in developing sound management and effective forms of service delivery. When conscientiously applied, they serve as quality controls to safeguard the persons receiving services and the funds being expended to provide services. They are intended to be reasonably attainable and are neither the ideal nor the optimum. At the same time, they are meant to offer stimulation for improvement. Finally, they are designed to permit agency staff to measure the results of efforts to accomplish the agency's stated goals.

The revision of this set of standards has been undertaken to insure that they remain timely and relevant. Participating in the revision have been persons and groups from throughout the field of blindness and related fields, including accredited and nonaccredited agencies, original formulators of the standards, interest groups and consumer organizations. A technical committee studied the recommendations and prepared proposed revisions, which were submitted to a national review. The final codification incorporates recommendations of the national review as well as of the original participants. This review was begun in late 1974 and completed in 1976 with the results reflected in the standards which follow.

In determining standards to judge an agency's performance in meeting its responsibilities to the public, two fundamental factors must be taken into consideration. The first might be termed the problem of applicability: standards for accounting for services and finances are formulated in the knowledge that variations among agencies will necessarily give rise to variations in applicability of the standards. The second factor involves the question of relevance of standards in human service circumstances. Standards contemplating the discharge by community agencies of their responsibilities for management accountability and disclosure should be primarily relevant to the purpose for which such agencies exist: to serve people. The standards presented herein are organized around six key questions:

1. Will meeting the standards enable the agency to achieve its program goals as set forth in its statement of philosophy and program objectives?

Accounting for Services and Finances in an integrated manner provides a basis for examining how the agency identifies objectives based on its statement of philosophy and utilizes its resources to meet its program objectives. The standards pertaining to this planning-evaluation cycle are presented in *1. Planning* and *4. Evaluation.*

2. Will meeting the standards provide relevant statistical reports for assessing how the agency services achieve results?

Agency service statistics provide the basis for assessing the extent to which services are related to community need, effectively serve a target population and accomplish program objectives. Some of the broad considerations in this area are presented in *2. Service Systems.*

3. Will meeting the standards provide adequate control and reasonably effective planning through budgets based on historical data projected to give effect to current and estimated future operations?

Agencies, regardless of size or program, must identify their priorities for service. Agencies, therefore, need a well-defined approach to budgeting, which is merely a process of continuous assessment of progress, needs and future courses. Standards in this crucial area are set forth in *3.1 Budgets.*

4. Will meeting the standards provide a sound basis for determining functional and overall program costs, and relating costs to results?

Voluntary and public agencies of all sorts are finding an increasing need for cost analysis and for functional accounting by program or departments. Of far-reaching impact, *Standards for Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (1974)* requires functional reporting of expenditures by voluntary agencies as a standard for public disclosure. The importance of functional accounting for many purposes, is reflected in the related standards presented in *3.2 Functional Accounting.*

5. Will meeting the standards provide an adequate body of historical, quantitative facts concerning services and finances?

While every record-keeping system must be designed to meet the agency's particular needs, there are bedrock standards and accounting principles applicable and relevant to all. These are presented in *2. Service Systems* and *3.3 General Accounting and Financial Procedures.*

Adequate record-keeping does not imply complexity; on the contrary, every system should be as simple, efficient and

economical as is consistent with the agency's needs. Clarity of record-keeping is essential to the function of serving people. The program of any given agency, and the needs of its management, must ultimately determine the type, form and content of the service statistics reports it prepares and uses. Some of the broad considerations in this area are presented in *2. Service Systems*

6. Will meeting the standards enable the agency to meet its responsibility for full and meaningful public disclosure of its services and finance operations?

Clearly, it would benefit the contributing public to have the same accounting basis for review of every agency, and to receive financial reports that are, as far as practicable, uniform. *Audits of Voluntary Health and Welfare Organizations (1974)* and *Revised Standards of Accounting* and *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (1974)* and other related publications provide the not-for-profit agency with guidelines for reporting financial transactions. It is the responsibility of the service agency to document its services and their effectiveness along with financial data in an integrated manner that is based upon recognized reporting systems.

INTRODUCTION

Two aspects of agency practice warrant special comment in introducing these standards. They are: (1) the unique pattern of accounting procedures in the government agency and (2) the use of certain terms and concepts relevant to accounting for services and finances.

Applicability of this set of standards to governmental agencies is modified by the fact that state commissions and rehabilitation agencies, public libraries, veterans centers, and other state or federal programs observe accounting procedures in accordance with their specifid state or federal regulations. In using these standards with government agencies, therefore, *the extent to which the agency meets these standards in the context of its governmental structure and procedures* should be evaluated. This guideline permits the agency and the onsite review team to assess the governmental agency when a specific standard is not specifically applicable, to determine whether the process affected is comparable to the standard in terms of quality, effectiveness and public accountability.

Certain terms are referred to in the standards which have meaning related to measuring results of services and achieving accountability. The following general meanings are noted to suggest how they are most appropriately used in the present standards.

Function is the cluster of related activities into a common organizational component (e.g., vocational, workshop, library service) often referred to as a program or department. *Unit of Service* is the measurable form in which the service is delivered by a given function (e.g., the interview, the lesson). *Outcome* refers to the results following provision of one or more units of service, and is useful for evaluating the effectiveness of a given service unit or function. *Evaluation* refers to a systematic effort to appraise the effectiveness or value of a unit or function in relation to other aspects of the agency, and its goals and objectives.

Standards that increase the ability to plan and evaluate within an agency, and to compare between agencies providing like functions, increasingly will be demanded by a society that is concerned with receiving the greatest return on its human service investment.

THE STANDARDS

1. PLANNING FOR ACCOUNTING FOR SERVICES AND FINANCES

( ) 1.1 PLANNING. The agency plans its service and financial accounting systems to insure that they are consistent with the statement of philosophy and program objectives established by its governing body or other appropriate authority.

Comments:

( ) 1.2 PURPOSE. Accounting for services and finances is a process conducted by the agency in a systematic manner in order to assure service effectiveness in using resources to achieve functional program objectives.

( ) 1.2.1 This process includes identification of agency goals in relation to human need in the population served and a systematic method of accounting for agency services and resources.

Comments:

( ) 1.3 LONG RANGE SERVICE AND FISCAL CYCLE PLANNING. A written long range plan is used by the agency as the instrument for charting its long term effort to achieve its goals.

( ) 1.3.1 The long range plan is prepared for a specific period of time beyond the current fiscal period appropriate to the agency.

( ) 1.3.2 The long range plan is reviewed annually and updated as necessary.

Comments:

( ) 1.4 SHORT RANGE SERVICE AND FISCAL CYCLE PLANNING. A written service and fiscal cycle plan is prepared for the agency's coming operational or fiscal year. It relates to the long range plan, and is based upon an evaluation of prior performance and projected need.

Comments:

( ) 1.5 PARTICIPATION IN PLANNING. The agency's governing board, administration and staff, persons served, interested individuals and groups, participate in planning in their respective roles.

Comments:

( ) 1.6 SERVICE AND FINANCIAL ACCOUNTABILITY. The agency develops methods for measuring the basic service and financial aspects of accountability.

Comments:

2. SERVICE ACCOUNTING SYSTEMS

The agency maintains and utilizes methods for assessing the impact of its services for each of its functions.

( ) 2.1 POPULATION SERVED. The agency identifies the potential population of blind or other visually handicapped persons in the community who could benefit from its services.

( ) 2.1.1 The agency maintains ongoing records of the persons provided service by function, including the number who are legally blind, the number of visually handicapped, and all others.

( ) 2.1.2 Records provide breakdown of characteristics of persons served, including age, sex, severity and number of handicaps, and other pertinent factors.

( ) 2.1.3 Monthly reports for each function identify persons applying for service, accepted or rejected for service, receiving service, or terminated.

( ) 2.1.4 The records include an unduplicated count of all persons served by the agency and the number of legally blind, visually handicapped, and other persons in that total, as well as the number who are multi-handicapped.

Comments:

( ) 2.2 NEEDS. The agency identifies the needs (e.g., educational, social, vocational) with which it is concerned, and the resources available (through direct service, purchase, or referral) to meet these needs, and projects the costs of each functional resource it provides or purchases.

Comments:

( ) 2.3 GOALS. The agency establishes measurable goals to be achieved for each of its functions.

Comments:

( ) 2.4 SCOPE. The scope of each specific function as well as the total function of the agency is formally identified to indicate the parameters of agency services.

Comments:

( ) 2.5 METHOD. The service rendered is systematically measured to insure that methods used are achieving the planned objectives in the most effective and efficient manner.

( ) 2.5.1 Service activities are identified for each specific function of the agency (e.g., workshop service, orientation and mobility instruction, vocational, social service, public education, prevention).

( ) 2.5.2 Units of service within each function (e.g., a vocational evaluation, a course in O & M instruction, a social service interview, a public education seminar) are systematically reported in terms of time, cost and results in relation to objectives.

( ) 2.5.2.1 The units of individual service that are provided for each function are defined in terms that permit measurement.

( ) 2.5.2.2 The units of service relate to caseload size, services rendered, and results achieved in prior periods.

Comments:

( ) 2.6 RESULTS. The agency projects and evaluates the outcome or results of each agency function in a manner that relates to its functional objectives, its cost projections and the outcomes as related to the plans made with people served.

( ) 2.6.1 Outcome measures are designed for each agency function.

Comments:

( ) 2.7 COSTS. The agency projects average costs for each functional unit of service that reflect the resources associated with providing the service.

Comments:

3. FINANCIAL ACCOUNTING SYSTEMS

The agency maintains systems to account for financial transactions to insure sound fiscal management and accountability.

( ) 3.1 BUDGETS. A budget is used by the agency as an expression of the agency operation for a given period. There are generally three types of budgets or forecasts for most agencies: Operating Budgets, Cash Flow Forecasts, and Capital and Special Budgets.

( ) 3.1.1 Operating Budgets. The agency has defined procedures for the preparation, adoption and administration of an annual operating budget.

( ) 3.1.1.1 Operating budgets are prepared by projecting revenue and expense for each established category.

( ) 3.1.1.1.1 Functional operating budgets relate finances and other resources to population served, services rendered, benefits and costs.

( ) 3.1.1.2 Before the new fiscal period, the appropriate personnel assemble pertinent data on program objectives for the next year and estimates of their effect on both revenue and expense.

( ) 3.1.1.3 The appropriate staff or committees who are accountable for portions of the budget participate in initial preparation of that portion.

( ) 3.1.1.4 The budget is based on the accrual system of accounting.

( ) 3.1.1.5 Criteria are developed for each function and are taken into consideration in the preparation of the budget (i.e., are the number of persons referred for service increasing or decreasing? how many units of service per workers does the function produce?).

( ) 3.1.1.5.1 Consideration is given to factors affecting changes in costs.

( ) 3.1.1.5.2 Expense items are consistent with plans for the year.

( ) 3.1.1.5.3 Consideration is given to all potential sources of income.

( ) 3.1.1.6 Approval of the budget by the governing body or other appropriate authority is sufficiently in advance of the beginning of the fiscal period to permit efficient application of the new budget.

( ) 3.1.1.6.1 Such action is recorded in the minutes of the governing body, and a copy of the approved budget filed with the permanent minutes.

( ) 3.1.1.7 During the fiscal year, the agency regularly assesses revenue and monitors expenses in the light of the approved budget.

( ) 3.1.1.7.1 The responsibility is specifically assigned for assessment and monitoring of trends which may affect the ability of the agency to realize its projected revenue or stay within its approved expense level.

( ) 3.1.1.7.2 Proposed budget revisions are reviewed in terms of their effect on operations for the current fiscal period and also for their effect on future years.

( ) 3.1.1.8 The agency distributes budgetary data in order that the governing body may use it effectively in making policy decisions and administrative staff in maintaining ongoing budget administration.

( ) 3.1.1.8.1 Monthly reports are available both to the governing body or its designated committee and to the administrative staff showing comparisons of budgeted and actual revenue and expense for (a) the month, (b) the year to date, and (c) the comparable prior year periods.

( ) 3.1.2 Cash Flow Forecasts. Through cash flow forecasts, the agency projects estimates of the timing for receipt of major revenue and for disbursement of major expenses in order to insure that cash for meeting current obligations will be available.

( ) 3.1.2.1 Maintaining a liquid cash position to meet current obligations is a factor in the total budget consideration at the time the operating budget is being developed.

( ) 3.1.2.2 Monthly cash flow reports are prepared for review by the governing body and administrative staff, and reflect pertinent factors (e.g., cash balances in checking and savings accounts for beginning and end of period, changes in receivables and payables if these are material items in the agency's finances, and evaluation of possibilities of interfund transfers to meet cash needs).

( ) 3.1.3 Capital and Special Budgets. The agency maintains separate and adequate financial records for capital and special programs.

( ) 3.1.3.1 Capital construction budgets have appended time tables for the various phases of construction, payments to be made to the contractor as the construction proceeds, and provision for regular construction reports which call attention to changes, additions or deletions from the original specifications.

( ) 3.1.3.2 Other special budgets are administered under the same standards as those governing the operating budget, but are separated from the operating budget in order to maintain effective control.

Comments:

( ) 3.2 FUNCTIONAL ACCOUNTING. The agency has a system and procedures for reporting of expenses by function that conform in content and format to those described by the *Standards for Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (1974).*

( ) 3.2.1 Expenses are classified into the major functional categories of:

(a) Program Services.

(b) Supporting Services:
Management and general expenses.
Fund-raising expenses.

(c) Payments to affiliated organizations.

( ) 3.2.1.1 When possible, direct expenses are recorded initially by function as well as by object.

( ) 3.2.1.2 Where program expenses benefit more than one function, they are distributed on an equitable basis among the affected functions.

( ) 3.2.2 Functional accounting identifies the objectives of each function in order to account for results accomplished.

( ) 3.2.3 Functional expenses are broken down into sub-categories whenever appropriate.

Comments:

( ) 3.3 GENERAL ACCOUNTING AND FINANCIAL PROCEDURES. The agency maintains a system of accounting and fiscal control which meets its own needs as simply as possible for the purpose of: (a) insuring efficient day-to-day management of each function by administrative staff; (b) providing the governing body with sufficient information for long and short range policy decisions; (c) meeting the requirements of public accountability.

( ) 3.3.1 The agency uses a double entry form of bookkeeping.

( ) 3.3.2 The agency uses the accrual basis of accounting, including depreciation of fixed assets, in preparing both internal and external financial reports.

( ) 3.3.2.1 Pledges and other amounts receivable but not yet collected are included, with appropriate provision for estimated amounts uncollectable.

( ) 3.3.2.2 Liabilities for all amounts such as expenses incurred and assets acquired are included.

( ) 3.3.3 Chart of Accounts. Agency accounting records include a chart of accounts which lists the titles of all accounts used in the agency's ledgers and journals, describes the types of items (revenues, expenses, assets, etc.) to be recorded in each account, and designates a numerical or other code for identification of each account.

( ) 3.3.3.1 Using those classifications which are applicable to its financial operations, the agency's chart of accounts is subdivided into sections corresponding in title and content to those classifications.

( ) 3.3.3.2 Within each of these classifications, the agency establishes individual accounts for types of support from the public, revenue, functional and object expenses, assets, liabilities and fund balances appropriate to its own organization, activities and accounting needs.

( ) 3.3.3.3 Once the chart of accounts is installed, it is maintained on a consistent basis unless modifications are required by virtue of changes in the agency operations.

( ) 3.3.4 Basic Books of Entry. The agency maintains the following basic books of account:

( ) 3.3.4.1 Cash receipts and disbursements journals.

( ) 3.3.4.2 General journal.

( ) 3.3.4.3 General ledger for recording financial transactions, using the chart of accounts as the basis for classifications. (Note: the manufacturing workshop also maintains a Sales Journal and Purchase Journal for recording customer and vendor transactions.)

( ) 3.3.5 Subsidiary Records. The agency maintains all other financial information necessary to achieve effective management and provide full public disclosure. (Note: this information may include as required such subsidiary records as accounts receivable, accounts payable, contributors' pledge book, payroll records, investment ledger, depreciation schedules and equipment inventory, insurance register, and manufacturing inventory.)

( ) 3.3.5.1 The agency evaluates its requirements in determining what subsidiary records are needed.

( ) 3.3.6 Functional Distribution. The system of agency records provides for a distribution of objects of expense by functional categories and of revenue attributable to specific functions (e.g., fee income earned by a given program is so identified for cost accounting and other management purposes).

( ) 3.3.7 Minute Book. The agency maintains in permanent form minutes of its governing body and of those committees or other groups to which the governing body has delegated specific authority to act.

( ) 3.3.7.1 Minutes reflect the financial authority delegated by the governing body to committees or individuals.

( ) 3.3.7.2 Minutes record the governing body decisions concerning the annual budget, acceptance of unrestricted funds, designation of unrestricted funds for specific purposes and all other authorizations involving agency resources and financial commitments.

( ) 3.3.8 Maintenance of the System. The agency assigns to one or more staff members the responsibility for maintenance of books and records.

( ) 3.3.8.1 When the system is installed or revised, or when a new staff member is assigned to its maintenance, training and instruction is provided.

( ) 3.3.8.2 Periodic administrative review is made to determine whether the system is being properly maintained.

( ) 3.3.8.3 The agency instructs its independent certified public accountant to report any deficiencies in the maintenance of the system and to recommend any desirable changes.

( ) 3.3.9 Unexpended Fund Balances. The agency has policies related to accounting for, control over and investment of unexpended fund balances.

( ) 3.3.9.1 The governing body has established procedures for the acceptance or rejection of unrestricted gifts.

( ) 3.3.9.2 Unrestricted gifts are recorded as public support of the Current Unrestricted Fund.

( ) 3.3.9.3 Contributions restricted by the donor for operating purposes are recorded as public support of the Current Restricted Fund.

( ) 3.3.9.4 Contributions restricted by donor for land, buildings or equipment are recorded as public support of the Land, Building and Equipment Fund.

( ) 3.3.9.5 Contributions, the principal of which is restricted in perpetuity or for a defined period to use as an endowment with only the income therefrom to be used for restricted or unrestricted purposes as specified by the donor, are recorded as public support of the Endowment Fund.

( ) 3.3.9.6 Investment policies relating to monies not currently required in each of the funds are established. Adherence to such policies is under the continuing review of the finance or other specified committee of the governing board.

( ) 3.3.9.7 Buying and selling of real estate, securities and other assets is done only under well-defined policies which provide protection against faulty judgment or defalcation by individuals.

( ) 3.3.9.8 The agency follows a prudent investment policy, and to that end, has a knowledgeable group, such as a qualified investment advisor or committee overseeing its investments.

( ) 3.3.9.9 If investments of several funds have been pooled, a detailed plan of pool operation is devised and consistently followed.

( ) 3.3.10 Efficient Utilization of Resources. The agency is alert to all opportunities for conserving resources.

( ) 3.3.10.1 Operating funds, endowment funds or other resources not immediately needed are invested where income may be earned

( ) 3.3.10.2 The agency takes full advantage of all tax benefits allowed to tax-exempt organizations.

( ) 3.3.10.3 The agency takes advantage of non-profit organization bulk mailing rates when feasible, as well as the free mailing privilege for the blind.

( ) 3.3.10.4 The agency is prudent when allowing credit terms to any customers.

( ) 3.3.10.5 The agency maintains sound purchasing policies and inventory control procedures to keep investments in standing inventory at a minimum.

( ) 3.3.10.6 Proper costing and pricing procedures are used in determining the cost of services or products to be provided.

( ) 3.3.10.7 Competitive bidding is utilized for major maintenance or capital expenses including the consideration of at least three reliable sources that have no vested interest in the agency.

Comments:

( ) 3.4 INTERNAL SAFEGUARDS AND CONTROLS. The agency maintains systems for error and fraud control.

( ) 3.4.1 Revenues. Revenues are promptly and accurately recorded.

( ) 3.4.1.1 Accountability is established at the first practicable point in the flow of transactions (e.g., from solicitors' reports, mail opener's lists or similar source data).

( ) 3.4.1.2 Detailed records of cash received are prepared and posted as of the day they are received.

( ) 3.4.1.3 Detailed records of pledges, related collections and uncollected balances are kept in up-to-date form. Detailed pledge records are periodically reconciled with the general ledger account.

( ) 3.4.1.4 Records of securities or other valuable property are kept in up-to-date form.

( ) 3.4.1.5 Acknowledgment forms, solicitors' reports and similar source documents, prepared at the time of receipt as an original record of collections, are numbered in sequence, and are accounted for by number.

( ) 3.4.1.6 Full use is made of cross-checks available in the records. (Note: this embraces, for example, double-entry cash receipt records; comparison of totals shown by different records such as the cash receipts book, a mail-opener's list and a duplicate deposit slip; comparison of totals of detailed subsidiary records with related general ledger controlling accounts).

( ) 3.4.2 Custody of Assets. Assets are safeguarded in a prudent manner appropriate to their nature, to prevent their loss, theft, or deterioration.

( ) 3.4.2.1 Checks and currency are deposited in the form received, without unnecessary delay, in bank accounts authorized by the governing body; acknowledgement of deposit is obtained from the bank.

( ) 3.4.2.2 The agency endeavors to collect pledges and other receivables; collectibility of pledges and other receivables is periodically reviewed; uncollectibles are written off on approval of an authorized committee or official.

( ) 3.4.2.3 Stock certificates, bonds and mortgages are maintained in a custodian account or safe deposit, and a separate record is maintained of all such holdings.

( ) 3.4.3 Verification of Assets. All major assets owned are periodically inventoried and compared with accountability records, and the comparison reviewed by an appropriate official.

( ) 3.4.3.1 Bank accounts are regularly and completely reconciled with the general ledger.

( ) 3.4.3.2 Securities are periodically counted (or confirmed if held by a bank or other independent custodian) and compared with accountability records.

( ) 3.4.3.3 The workshop takes a complete physical count at least once a year of all manufacturing inventory, which is verified and reconciled with the general ledger.

( ) 3.4.4 Insurance Protection. Insurance coverage is maintained in amounts adequate for the agency's needs, and reviewed periodically by the governing body, or its designate.

( ) 3.4.5 Control Over General Expenses. All expenses are properly and accurately recorded.

( ) 3.4.5.1 A detailed record of expenses is prepared and used as the medium of entry to the general records.

( ) 3.4.5.2 Checks are recorded in detail (date, number, payee and amount) in the disbursement records as of the date drawn; checks are numbered in sequence, preferably by the printer.

( ) 3.4.5.3 Full use is made of cross-checks available in the accountability records. This includes double-entry cash disbursement records (such as the total of a day's checks drawn and the total of vouchers marked off as paid that day); comparison of totals of

detailed subsidiary records with general ledger controlling accounts (such as unpaid vouchers).

( ) 3.4.5.4 Disbursements (other than small convenience outlays in cash from a petty cash fund) are made by check, after prior approval by a designated person.

( ) 3.4.5.4.1 Persons authorized to sign checks are designated by agency policy.

( ) 3.4.5.4.2 Checks preferably are signed by two persons.

( ) 3.4.5.4.3 No checks are signed in blank.

( ) 3.4.5.4.4 Checks are safeguarded against alteration by means of protectors, special paper, or other means.

( ) 3.4.5.4.5 Bank reconciliation procedures include review of endorsements of all checks or of checks representing major disbursements.

( ) 3.4.5.4.6 Access to the petty cash fund is restricted to the person responsible for it; the fund is limited in amount and purpose, and is kept on an imprest basis.

( ) 3.4.5.5 Expenditures are reviewed and approved, before payment, as to mathematical accuracy and propriety of payment.

( ) 3.4.5.5.1 Checks presented for signature are supported by documents evidencing the performance of all necessary review (e.g., of accuracy of invoices, of receipt of goods or services as ordered and of authorization to spend).

( ) 3.4.5.5.2 Supporting invoices are cancelled to prevent duplication of payment.

( ) 3.4.5.5.3 Disbursements are made within the discount period, if any; otherwise, by the time payment is due.

( ) 3.4.6 Control Over Payroll Expenditures. Payroll expenditures involve special standards of error control appropriate to the type of agency, and may include several procedures:

( ) 3.4.6.1 Individual records are kept of employees' earnings and withholdings.

( ) 3.4.6.2 Reports relating to wages, withholdings and payroll taxes are rendered, as prescribed by law, to employees and to local, state and federal authorities.

( ) 3.4.6.3 Changes in personnel, in status and in rates of compensation are formally approved and documented; orderly historical files are maintained.

( ) 3.4.6.4 Data to compute current compensation (functional assignments, hours worked, overtime, special benefits, deductions, etc.) are documented and approved.

( ) 3.4.6.5 Data to compute compensation, including changes, are promptly and accurately furnished to those preparing payrolls.

( ) 3.4.6.6 Payrolls are accurately computed and charged to the appropriate functional expense accounts.

( ) 3.4.6.6.1 Preparation and accounting of payroll distribution are reviewed, the extent of review depending on size and complexity of payroll and on type of data processing.

( ) 3.4.6.7 The payroll listing is reviewed and approved by responsible officials before payment.

( ) 3.4.6.8 Wages are preferably paid by check; if paid in cash, payroll funds are physically protected and insured against robbery and loss, and signed receipts are obtained from employees.

FRAUD CONTROL

( ) 3.4.7 Persons in Positions of Trust. The background of every person appointed to a position of trust is reviewed to the satisfaction of the agency's governing body or appropriate administrative staff.

( ) 3.4.7.1 Every such person is bonded, with fidelity coverage adequate for the position.

( ) 3.4.8 Separation of Duties. The agency achieves the most complete separation practicable of the duties of: (a) custody of assets; (b) keeping accountability records; and (c) authorization and approval of transactions.

( ) 3.4.8.1 Employees who handle, record and bank incoming cash have no duties with respect to either keeping pledge (or other receivable) records or authorizing write-offs of pledges or other receivables.

( ) 3.4.8.2 Employees who handle, record and bank incoming cash, or who prepare vouchers, do not draw checks or keep disbursement records, or have any duties with respect to either preparing bank reconciliations or keeping the general ledger.

( ) 3.4.8.3 In the agency that is unable to effect either or both of these separations, close supervision is exercised and periodic review of the related transactions is made.

( ) 3.4.9 Procedural Steps. An agency incorporates into its system of fraud control as many of the following steps as may be practicable and relevant:

( ) 3.4.9.1 Mail is opened by persons independent of the cashier; remittances are listed by the mail-opener and later compared with the cash receipt records by a person independent of both mail-opening and cash-handling duties.

( ) 3.4.9.2 If mail-openers are not independent of the cashier, mail is opened by an official of the agency and listed by him or under his supervision, or mail is opened and remittances listed by two persons in each other's presence.

( ) 3.4.9.3 Incoming checks are restrictively endorsed immediately upon receipt.

( ) 3.4.9.4 Banks are instructed to accept checks payable to the agency for deposit only.

( ) 3.4.9.5 Pledges and contributions are acknowledged, using pre-numbered forms, preferably by a person independent of the cashier preparing the acknowledgements, comparing them with the cash book and mailing them.

( ) 3.4.9.6 Duplicate deposit slips, receipted by the bank, are compared with cash receipt records and with a list of mail remittances, by persons independent of either function.

( ) 3.4.9.7 Pledges written off are made the subject of communication with the pledger by someone independent of both the cashier and the person keeping pledge records.

( ) 3.4.9.8 Access to bank checks is limited; checks are pre-numbered by the printer; from time to time, unused checks are completely accounted for, by number, by a person who does not prepare checks.

( ) 3.4.9.9 Checks are reconciled against the authorization prior to their issuance.

( ) 3.4.9.10 If bank reconciliations are not regularly prepared by a person independent of cash-receiving and disbursing functions, an occasional reconciliation is completely prepared by an independent person. The standard reconciliation procedures are followed, together with these additional procedures:

( ) 3.4.9.10.1 Bank statements and paid checks are obtained directly from the bank and controlled until the reconciliations are finished.

( ) 3.4.9.10.2 Addition of detailed cash records and of general ledger cash account is checked.

( ) 3.4.9.10.3 All endorsements are reviewed and multiple endorsements investigated.

( ) 3.4.9.10.4 Signatures are reviewed.

( ) 3.4.9.11 Petty cash funds are counted occasionally on an unannounced basis by someone other than the custodian.

( ) 3.4.9.12 Securities and other assets are periodically examined and compared with accountability records by persons not responsible for either custody or accounting.

MAINTAINING THE SYSTEM OF INTERNAL CONTROL

( ) 3.4.10 Review. The agency's governing body regularly reviews the system of internal control to satisfy itself that the system: (a) is responsive to current conditions, and (b) is in fact operating as designed.

( ) 3.4.10.1 While a governing body may delegate certain of its authority to others with special competence, such delegation does not alter the fact of its responsibility.

( ) 3.4.11 Assignment of Operating Responsibility. Day-by-day operating responsibility for the agency's system of internal control is defined and is assigned to and discharged by an appropriate official.

( ) 3.4.12 Independent Certified Public Accountants. The agency's governing body requests the independent certified public accountants retained for the annual examination to submit a formal memorandum of comments on and recommendations for improvement of the system of internal control.

( ) 3.4.12.1 The agency's governing body, either directly or through its audit committee, selects the independent certified public accountant.

( ) 3.4.12.2 The governing body, or its audit committee, meets at least annually with the independent auditors to receive any comments on the audit, internal control, and general operations.

( ) 3.4.12.3 The annual audit of the agency books is completed within four months after completion of the agency's operating or fiscal year.

Comments:

4. EVALUATION

( ) 4.1 SYSTEMATIC EVALUATION. The agency conducts evaluations of the data produced by its systems for accounting for services and finances for use of the governing body, for management by administrative staff, and in reporting to the public.

Comments:

( ) 4.2 PARTICIPATION IN EVALUATION. Agency board and staff, persons served and concerned individuals and groups participate in the evaluation of agency accountability data in their respective roles.

( ) 4.2.1 Annual budgets and reports, auditor's statements, governing body policies and other relevant services and financial statements are shared with appropriate agency staff in order to serve as a basis for evaluation and managerial decision-making.

Comments:

( ) 4.3 FREQUENCY OF EVALUATION. Evaluations are conducted on a regularly scheduled basis related to the agency's long and short range service and fiscal cycles.

Comments:

( ) 4.4 GOALS OF EVALUATION. Evaluations are conducted to assess factors related to accountability and for use in planning. These include the extent to which:

SERVICE ACCOUNTABILITY SYSTEMS

( ) 4.4.1 Individual goals and goals of the various functions of the agency are achieved.

( ) 4.4.2 Efficiency and effectiveness of methods used to provide quality services and achieve functional goals are obtained.

( ) 4.4.3 Results of individual services and service functions are measured.

( ) 4.4.4 Followup studies of persons served are conducted to assess the effects of services after the completion of service.

( ) 4.4.5 Costs of units of service and/or functions are analyzed in relation to their results.

( ) 4.4.6 The interrelationship of the various components measured are evaluated in order to compare the relationship of these components to each other.

( ) 4.4.7 Agency services are reviewed in the light of current needs, unit costs, their scope, effectiveness and efficiency in achieving planned outcomes, available resources, and other relevant factors.

FINANCIAL ACCOUNTABILITY SYSTEMS

( ) 4.4.8 The agency budget clearly and effectively expresses agency financial operations for given current and future periods.

( ) 4.4.9 The agency financial accounting system is in conformance with *Standards for Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (1974).*

( ) 4.4.10 The agency's system of accounting and fiscal control is relevant to its needs for: (a) insuring administrative management; (b) providing the governing body sufficient information for planning; (c) meeting the requirements of public accountability.

( ) 4.4.11 The agency's internal safeguards and controls are appropriate to the agency and minimize the risk of error or fraud.

Comments:

5. PUBLIC ACCOUNTABILITY AND DISCLOSURE

( ) 5.1 PUBLIC ACCOUNTABILITY AND DISCLOSURE. The agency maintains accounting reports as the basis for its accountability and disclosure to the public that are consistent with the following:

( ) 5.1.1 Annual Report. The agency prepares an annual public report that includes service reporting as well as audited financial statements.

( ) 5.1.2 The agency makes its annual service and financial statements, including those of its independent certified public accountants, available for review to staff, board, persons served, interested individuals and groups, and others who request them.

( ) 5.1.3 The relationship between the agency's service accountability and financial accountability is clearly delineated. (e.g., The accountability for the results or effectiveness of an agency's efforts are not necessarily inherent in the systems of services or financial reporting but involve a further process of interrelationship and evaluation to determine the extent to which goals of short and long range service and financial planning have been achieved.)

Comments:

( ) 5.2 SERVICES STATEMENTS. The agency's services reporting is done in clearly defined terms with accompanying documentation available for verification and is based on guidelines such as those provided in *People and Programs Need Uniform and Comparable Definitions--UWASIS.* (e.g., The internal and external definitions of service which allow for uniformity and comparison and relate to the agency's goals by outlining "what kind of things were done, to whom and to what extent.")

Comments:

( ) 5.3 FINANCIAL STATEMENTS. The agency's financial reporting prepared for the public conform to the *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (1974)* and to the principles of AICPA in *Audits of Voluntary Health and Welfare Organizations (1974)* (e.g., the provisions for accrual accounting, fixed assets and depreciation, the "fund" concept in accounting, the classification of public support and revenue and expense, and functional accounting)

( ) 5.3.1 At least the following three statements are included: (a) Statement of Support, Revenue and Expenses and changes in Fund Balances; (b) Statement of Functional Expenses; (c) Balance Sheets.

( ) 5.3.2 Functional expenses are segregated in the Statement of Support, Revenue and Expenses and Changes in Fund Balances.

( ) 5.3.2.1 Financial reporting of functions is consistent with the definitions used for services reporting (see 5.2).

( ) 5.3.3 The agency's accounts are audited annually, in accordance with generally accepted auditing standards, by independent certified public accountants.

Comments:

PROGRAMMING FOR IMPROVEMENT

It is desirable for agencies to develop plans for improving accounting procedures for services and finances. Such planning usually flows from the ongoing evaluation in a continuous cycle of planning, implementation and assessment. The strengths and weaknesses uncovered through the self-study and evaluation process can assist in the development of a timetable for effecting further improvements. Participants in the planning include agency board, staff and persons served, as well as other concerned individuals and community groups.

The following six questions are designed to permit the agency to describe its program for evaluation and improvement of service and accounting procedures. The questions are also designed to help the Commission on Accreditation evaluate the agency in terms of one of the Commission's governing principles: "If deficiencies exist, the agency is willing to remedy them, and gives evidence of being capable of effecting the needed remedies within a reasonable period of time."

It should be borne in mind that the principles of evaluation and planning for improvement apply equally to weaker as well as stronger areas of accounting procedures. The questions that follow should be answered by indicating both: (a) specific plans for improvement where the standards presently are not met; and (b) further improvements planned where the standards presently are met.

1. How do the agency's service and financial accounting systems effectively reflect by function efforts to achieve its objectives by relating costs to services and results?

2. What improvements in the service and financial accounting systems were made in the previous agency fiscal year?

3. What improvements are under way in the present agency fiscal year?

4. What improvements are definitely planned for the succeeding agency fiscal year?

5. What improvements are contemplated in agency long range planning?

6. How are these improvements related to the ongoing planning and evaluation processes of the agency?

Name of Agency _____ Date _____

Committee Chairman _____

Name _____ Signature _____

Name _____ Signature _____

Name _____ Signature _____

Name _____ Signature _____

Name _____ Signature _____

Accounting for Services and Finances

APPENDIX A

STANDARD FORMS OF FINANCIAL STATEMENTS*

		Page
Exhibit I:	VOLUNTARY HEALTH AND WELFARE SERVICE—STATE AFFILIATE, INC.—Statement of Support, Revenue, and Expenses and Changes in Fund Balances—Year ended December 31, 19X2, with Comparative Totals for 19X1	29
Exhibit II:	VOLUNTARY HEALTH AND WELFARE SERVICE—STATE AFFILIATE, INC.—Statement of Functional Expenses—Year ended December 31, 19X2 with Comparative Totals for 19X1	30
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*Reprinted by permission from "Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations, Revised 1974," National Health Council, Inc., National Assembly of National Voluntary Health and Social Welfare Organizations, Inc., and United Way of America, 1975.

Statement of Support, Revenue, and Expenses and Changes in Fund Balances
Year ended December 31, 19X2, with Comparative Totals for 19X1

	19X2					
	Current Funds		Land, Building and Equipment Fund	Endowment Fund	Total All Funds	
	Unrestricted	Restricted			19X2	19X1
Public support and revenue:						
Public support —						
Received directly —						
Contributions (net of estimated uncollectible pledges of $19,500 in 19X2 and $15,000 in 19X1)	$658,900	$16,200	$ —	$ 200	$675,300	$709,800
Contributions to building fund	—	—	7,200	—	7,200	15,000
Special events (net of direct benefit costs of $18,100 in 19X2 and $16,300 in 19X1)	10,400	—	—	—	10,400	9,200
Legacies and bequests	9,200	—	—	400	9,600	12,000
Total received directly	$678,500	$16,200	$ 7,200	$ 600	$702,500	$746,000
Received indirectly —						
Collected through local member units	$ 1,000	$ —	$ —	$ —	$ 1,000	$ 1,000
Contributed by associated organizations (net of their related fund-raising expenses estimated at $500 in 19X2 and $150 in 19X1)	2,000	—	—	—	2,000	6,000
Allocated by federated fund-raising organizations (net of their related fund-raising expenses estimated at $2,300 in 19X2 and $2,200 in 19X1)	23,500	—	—	—	23,500	22,000
Allocated by unassociated and nonfederated fund-raising organizations (net of fund-raising costs)	1,000	—	—	—	1,000	1,000
Total received indirectly	$ 27,500	$ —	$ —	$ —	$ 27,500	$ 30,000
Total support from the public	$706,000	$16,200	$ 7,200	$ 600	$730,000	$776,000
Fees and grants from governmental agencies	$ —	$ 300	$ —	$ —	$ 300	$ 300
Other revenue —						
Membership dues—individuals	$ 500	$ —	$ —	$ —	$ 500	$ 400
Assessments and dues—local member units	1,100	—	—	—	1,100	700
Program service fees and net incidental revenue of $80	1,000	—	—	—	1,000	800
Sales of materials and services to local member units (net of direct expenses of $1,000 in 19X2 and $700 in 19X1)	300	—	—	—	300	200
Sales to public (net of direct expenses of $800 in 19X2 and $700 in 19X1)	100	—	—	—	100	100
Investment income	9,800	700	—	—	10,500	9,100
Gains on investment transactions	20,000	—	—	2,500	22,500	27,500
Miscellaneous revenue	2,800	—	—	—	2,800	3,600
Total other revenue	$ 35,600	$ 700	$ —	$ 2,500	$ 38,800	$ 42,400
Total public support and revenue	$741,600	$17,200	$ 7,200	$ 3,100	$769,100	$818,700
Expenses:						
Program services —						
Program A	$125,700	$15,500	$ 200	$ —	$141,400	$136,500
Program B	53,900	—	500	—	54,400	48,500
Program C	61,200	—	600	—	61,800	51,600
Program D	56,800	—	1,000	—	57,800	48,600
Total program services	$297,600	$15,500	$ 2,300	$ —	$315,400	$285,200
Supporting services —						
Management and general	$ 56,700	$ —	$ 700	$ —	$ 57,400	$ 63,800
Fund raising	64,200	—	1,200	—	65,400	54,600
Total supporting services	$120,900	$ —	$ 1,900	$ —	$122,800	$118,400
Payments to national organization (Note 9)	$282,400	$ —	$ —	$ —	$282,400	$310,400
Total expenses	$700,900	$15,500	$ 4,200	$ —	$720,600	$714,000
Excess of public support and revenue over expenses	$ 40,700	$ 1,700	$ 3,000	$ 3,100		
Other changes in fund balances:						
Property and equipment acquisitions from unrestricted funds	(1,700)	—	1,700	—		
Transfer of realized endowment fund appreciation (Note 2)	10,000	—	—	(10,000)		
Returned to donor	—	(800)	—	—		
Fund balances, beginning of year	536,100	12,300	64,900	201,700		
Fund balances, end of year	$585,100	$13,200	$69,800	$194,800		

(See accompanying notes to financial statements.)

VOLUNTARY HEALTH AND WELFARE SERVICE
STATE AFFILIATE, INC.

Statement of Functional Expenses
Year ended December 31, 19X2 with Comparative Totals for 19X1

	Program Services					Supporting Services			Total Program and Supporting Services Expenses	
	Program A	Program B	Program C	Program D	Total	Management and General	Fund Raising	Total	19X2	19X1
Salaries	$ 4,500	$29,100	$25,100	$26,900	$ 85,600	$33,100	$36,800	$ 69,900	$155,500	$143,300
Employee benefits	400	1,400	1,400	1,400	4,600	2,200	1,500	3,700	8,300	7,500
Payroll taxes, etc.	200	1,600	1,300	1,400	4,500	1,800	1,800	3,600	8,100	7,500
Total salaries and related expenses	$ 5,100	$32,100	$27,800	$29,700	$ 94,700	$37,100	$40,100	$ 77,200	$171,900	$158,300
Professional fees	100	1,000	300	800	2,200	2,600	800	3,400	5,600	5,300
Supplies	200	1,300	1,300	1,300	4,100	1,800	1,700	3,500	7,600	7,100
Telephone	200	1,300	1,000	1,100	3,600	1,500	2,300	3,800	7,400	6,800
Postage and shipping	200	1,700	1,300	900	4,100	1,300	3,000	4,300	8,400	8,000
Occupancy	250	1,300	1,100	1,250	3,900	1,500	1,350	2,850	6,750	6,300
Rental and maintenance of equipment	250	1,300	1,100	1,250	3,900	1,500	1,350	2,850	6,750	6,300
Printing and publications	100	2,400	1,400	400	4,300	300	1,600	1,900	6,200	5,800
Travel	300	2,200	2,000	2,200	6,700	2,300	3,000	5,300	12,000	11,300
Conferences, conventions & meetings	800	1,900	7,100	2,000	11,800	5,200	7,700	12,900	24,700	15,600
Specific assistance to individuals	400	5,600	4,300	1,100	11,400	—	—	—	11,400	18,400
Membership dues	—	500	—	—	500	—	—	—	500	500
Awards and grants—										
To National Headquarters	10,000	—	—	—	10,000	—	—	—	10,000	—
To individuals and other organizations	123,200	900	11,900	14,400	150,400	—	—	—	150,400	144,300
Miscellaneous	100	400	600	400	1,500	1,600	2,100	3,700	5,200	6,400
Total before depreciation	$141,200	$53,900	$61,200	$56,800	$313,100	$56,700	$65,000	$121,700	$434,800	$400,400
Depreciation of buildings and equipment	200	500	600	1,000	2,300	700	400	1,100	3,400	3,200
Total functional expenses	$141,400	$54,400	$61,800	$57,800	$315,400	$57,400	$65,400	$122,800	$438,200	$403,600

(See accompanying notes to financial statements.)

VOLUNTARY HEALTH AND WELFARE SERVICE
STATE AFFILIATE, INC.

Balance Sheets
December 31, 19X2 and 19X1

ASSETS	19X2	19X1	LIABILITIES AND FUND BALANCES	19X2	19X1
CURRENT FUNDS					
Unrestricted					
Cash	$220,700	$242,500	Accounts payable and accrued expenses	$ 14,800	$ 13,900
Short-term investments—at cost, which is approximately market value	100,000	100,000	Research grants (Note 3)	59,600	61,600
Accounts receivable, less allowance for uncollectibles of $1,000 and $500	15,000	9,000	Support and revenue designated for future periods	24,500	21,900
Pledges receivable, less allowance for uncollectibles of $10,500 and $9,200	47,500	36,300	Total liabilities and deferred revenues	$ 98,900	$ 97,400
Materials for sale or use, at cost or market, whichever is lower	7,000	6,100	Fund balances:		
Prepaid expenses and deferred charges	13,800	9,600	Designated by the governing board for—		
Board-designated long-term investments (Note 2)	280,000	230,000	Long-term investments	$280,000	$230,000
			Purchases of new equipment	10,000	—
			Research purposes (Note 3)	115,200	174,800
			Undesignated, available for general activities	179,900	131,300
			Total Fund balances	$585,100	$536,100
	$684,000	$633,500		$684,000	$633,500
Restricted					
Cash	$ 300	$ 500	Fund balances:		
Short-term investments—at cost, which is approximately market value	7,100	7,200	Designated by donors for—		
Grants receivable	5,800	4,600	Professional education	$ 8,400	$ —
			Research grants	4,800	12,300
	$ 13,200	$ 12,300		$ 13,200	$ 12,300
LAND, BUILDING AND EQUIPMENT FUND					
Cash	$ 300	$ 200	6% mortgage payable, due 19—	$ 3,200	$ 3,600
Short-term investments—at cost, which is approximately market value	17,700	14,500	Fund balances —		
Pledges receivable, less allowance for uncollectibles of $750 and $500	3,200	2,500	Expended	$ 48,400	$ 47,700
Land, buildings and equipment, at cost, less accumulated depreciation of $29,600 and $26,200 (Note 5)	51,600	51,300	Unexpended—restricted (Note 4)	21,200	17,200
			Total Fund balances	$ 69,600	$ 64,900
	$ 72,800	$ 68,500		$ 72,800	$ 68,500
ENDOWMENT FUND					
Cash	$ 400	$ 1,000	Fund balance	$194,800	$201,700
Investments (Note 2)	194,400	200,700			
	$194,800	$201,700		$194,800	$201,700

(See accompanying notes to financial statements.)

EXHIBIT IV
VOLUNTARY HEALTH AND WELFARE SERVICE
STATE AFFILIATE, INC.

Balance Sheet
December 31, 19X2

ASSETS	Current Funds: Unrestricted	Current Funds: Restricted	Land, Building and Equipment Fund	Endowment Fund	Total All Funds: 19X2	Total All Funds: 19X1
Cash	$220,700	$ 300	$ 300	$ 400	$221,700	For comparison purposes, balance sheet of December 31, 19X1 is attached.
Short-term investments—at cost, which is approximately market value	100,000	7,100	17,700	—	124,800	
Accounts receivable, less allowance for uncollectibles of $1,000	15,000	—	—	—	15,000	
Pledges receivable, less allowance for uncollectibles of $10,500 Unrestricted Fund and $750 Land, Building and Equipment Fund	47,500	—	3,200	—	50,700	
Grants receivable	—	5,800	—	—	5,800	
Materials for sale or use—at cost or market whichever is lower	7,000	—	—	—	7,000	
Prepaid expenses and deferred charges	13,800	—	—	—	13,800	
Board-designated long-term investments (Note 2)	280,000	—	—	—	280,000	
Endowment Fund investments (Note 2)	—	—	—	194,400	194,400	
Land, buildings and equipment—at cost, less accumulated depreciation of $29,600 (Note 5)	—	—	51,600	—	51,600	
Total assets	$684,000	$13,200	$72,800	$194,800	$964,800	

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable and accrued expenses	$ 14,800	$ —	$ —	$ —	$ 14,800
Research grants (Note 3)	59,600	—	—	—	59,600
Support and revenue designated for future periods	24,500	—	—	—	24,500
6% mortgage payable, due 19—	—	—	3,200	—	3,200
Total liabilities and deferred revenues	98,900	—	3,200	—	102,100
Fund balances:					
Current unrestricted, designated by the governing board for—					
Long-term investments	280,000	—	—	—	280,000
Purchases of new equipment	10,000	—	—	—	10,000
Research purposes (Note 3)	115,200	—	—	—	115,200
Current unrestricted, available for general activities	179,900	—	—	—	179,900
Current restricted, designated by donors for—					
Professional education	—	8,400	—	—	8,400
Research grants	—	4,800	—	—	4,800
Land, Building and Equipment Fund—					
Expended	—	—	48,400	—	48,400
Unexpended—restricted (Note 4)	—	—	21,200	—	21,200
Endowment Fund	—	—	—	194,800	194,800
Total fund balances	585,100	13,200	69,600	194,800	862,700
Total liabilities and fund balances	$684,000	$13,200	$72,800	$194,800	$964,800

(See accompanying notes to financial statements.)

APPENDIX B

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